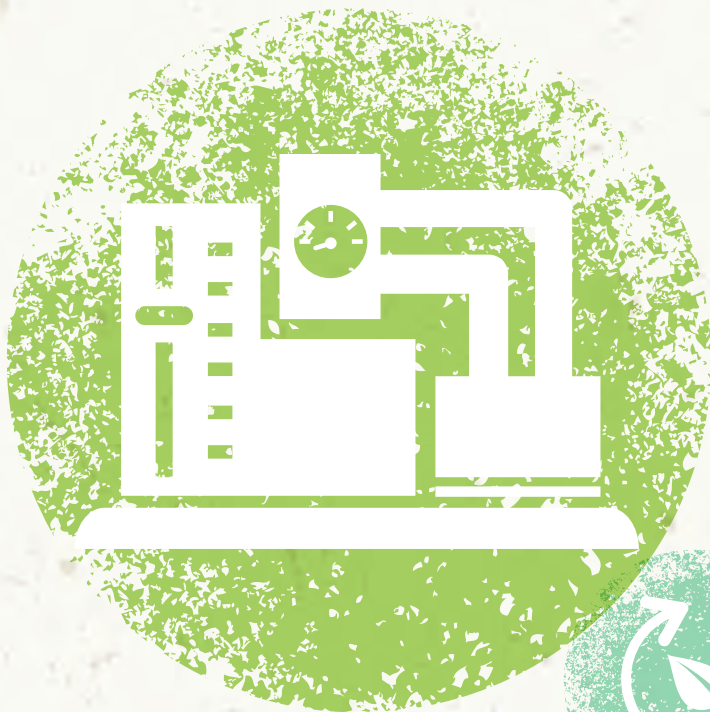




**The Hong Kong Building  
and Loan Agency Limited**  
**香港建屋貸款有限公司**

(Stock Code: 145)



ECO ♡



Interim Report 2015

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. So Yuen Chun  
Ms. Diana Liu He  
Dr. Li Ai Guo  
Mr. Cai Wen Wei

#### Non-executive Directors

Mr. Lam Kwok Hing, Wilfred  
Mr. Huang Lizhi

#### Independent Non-executive Directors

Mr. Yeung Wai Hung, Peter  
Ms. Yuen Wai Man  
Mrs. Chu Ho Miu Hing

### AUDIT COMMITTEE

Ms. Yuen Wai Man (*Chairman*)  
Mr. Lam Kwok Hing, Wilfred  
Mr. Yeung Wai Hung, Peter

### NOMINATION COMMITTEE

Ms. Yuen Wai Man (*Chairman*)  
Mr. Lam Kwok Hing, Wilfred  
Mr. Yeung Wai Hung, Peter  
Mrs. Chu Ho Miu Hing

### REMUNERATION COMMITTEE

Ms. Yuen Wai Man (*Chairman*)  
Mr. Lam Kwok Hing, Wilfred  
Mr. Yeung Wai Hung, Peter  
Mrs. Chu Ho Miu Hing

### AUDITOR

HLB Hodgson Impey Cheng Limited

### PRINCIPAL BANKERS

China CITIC Bank International Limited  
Shanghai Pudong Development Bank  
Industrial and Commercial Bank of China  
The Hongkong and Shanghai Banking  
Corporation Limited  
Public Bank (Hong Kong) Limited

### LEGAL ADVISORS

Troutman Sanders  
WT Law Offices

### SHARE REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Unit F, 7/F  
China Overseas Building  
139 Hennessy Road  
Wanchai  
Hong Kong

### STOCK CODE

145

### WEBSITE

<http://www.hkbla.com.hk>

### COMPANY SECRETARY

Mr. So Yuen Chun



The board (the “**Board**”) of directors (the “**Director(s)**”) of The Hong Kong Building and Loan Agency Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2015 together with the unaudited comparative figures for the six months ended 30 June 2014 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	4	<b>11,924</b>	3,752
Cost of operation		<b>(10,667)</b>	(2,115)
<b>Gross profit</b>		<b>1,257</b>	1,637
Other income	5	<b>1,362</b>	168
Gain on disposal of financial assets at fair value through profit or loss		<b>2,192</b>	5,565
Fair value changes on financial assets at fair value through profit or loss		<b>9,944</b>	(25,621)
Fair value change on contingent consideration payables		<b>(6,520)</b>	–
Loss on disposal of a subsidiary		<b>(80,531)</b>	–
Selling expenses		<b>(2,663)</b>	(869)
Administrative and operating expenses		<b>(51,024)</b>	(117,208)
<b>Loss from operation</b>		<b>(125,983)</b>	(136,328)
Finance costs	6	<b>(50,237)</b>	(892)
<b>Loss before taxation</b>		<b>(176,220)</b>	(137,220)
Taxation	8	<b>13,732</b>	–
<b>Loss for the period</b>		<b>(162,488)</b>	(137,220)
<b>Other comprehensive income for the period, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>7</b>	100
<b>Other comprehensive income for the period, net of tax</b>		<b>7</b>	100
<b>Total comprehensive loss for the period</b>		<b>(162,481)</b>	(137,120)
<b>Loss for the period attributable to owners of the Company</b>		<b>(162,488)</b>	(137,220)
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(162,481)</b>	(137,120)
<b>Loss per share</b>	10		
– Basic, HK cents		<b>(13.16)</b>	(21.85)
– Diluted, HK cents		<b>(13.16)</b>	(21.85)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

		<b>30 June</b>	31 December
		<b>2015</b>	2014
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
<b>Non-current assets</b>			
Intangible assets	11	<b>833,147</b>	860,389
Property, plant and equipment	12	<b>4,211</b>	4,879
Construction in progress		<b>9,074</b>	10,531
Goodwill	13	<b>1,275,620</b>	1,275,620
Loan receivables	14	<b>171</b>	30,251
Finance lease receivables	18	<b>24,180</b>	18,877
		<b>2,146,403</b>	2,200,547
<b>Current assets</b>			
Financial assets at fair value through profit or loss	15	<b>29,687</b>	24,354
Inventories		<b>823</b>	678
Loan receivables	14	<b>156</b>	171,829
Trade and bills receivables	16	<b>210</b>	1,203
Prepayments, deposits and other receivables	17	<b>3,297</b>	4,131
Finance lease receivables	18	<b>10,942</b>	8,863
Amounts due from customers under construction contracts		<b>174</b>	301
Tax recoverable		<b>1,894</b>	1,867
Pledged bank deposits		<b>254</b>	254
Cash and bank balances		<b>90,891</b>	17,512
		<b>138,328</b>	230,992
<b>Current liabilities</b>			
Trade and other payables	19	<b>17,387</b>	17,575
Amounts due to shareholders		<b>45,689</b>	52,681
Financial liabilities derivatives		<b>826</b>	–
Borrowings	20	<b>–</b>	40,000
		<b>63,902</b>	110,256
<b>Net current assets</b>		<b>74,426</b>	120,736
<b>Total assets less current liabilities</b>		<b>2,220,829</b>	2,321,283



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

		<b>30 June</b>	31 December
		<b>2015</b>	2014
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>			
Non-convertible bonds		<b>40,000</b>	40,000
Convertible bonds	<i>21</i>	<b>501,160</b>	470,506
Promissory notes	<i>22</i>	<b>84,201</b>	192,891
Contingent consideration payables		<b>99,623</b>	93,103
Deferred tax liabilities		<b>253,625</b>	265,658
		<b>978,609</b>	1,062,158
<b>Net assets</b>		<b>1,242,220</b>	1,259,125
<b>Capital and reserves</b>			
Share capital	<i>23</i>	<b>843,875</b>	667,298
Reserves		<b>398,345</b>	591,827
<b>Total equity</b>		<b>1,242,220</b>	1,259,125



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Reserves								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share capital reserve HK\$'000	Share options reserve HK\$'000	Convertible bonds reserve HK\$'000	Convertible bond options reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
At 1 January 2014 (Audited)	54,059	59,058	270,186	1,642	2,455	11,994	-	(76,076)	323,318
Loss for the period	-	-	-	-	-	-	-	(137,220)	(137,220)
Other comprehensive income for the period	-	-	-	-	-	-	100	-	100
Total comprehensive loss for the period	-	-	-	-	-	-	100	(137,220)	(137,120)
Transition to no par value regime on 3 March 2014	329,244	(59,058)	(270,186)	-	-	-	-	-	-
Issuance of share upon exercise of share options	1,307	-	-	-	-	-	-	-	1,307
Issuance of convertible bonds upon exercise of convertible bonds options	399	-	-	-	-	(399)	-	-	-
Issuance of shares upon conversion of convertible bonds	18,787	-	-	-	-	-	-	-	18,787
Issuance of shares upon placing	69,600	-	-	-	-	-	-	-	69,600
Issuance of consideration shares	146,200	-	-	-	-	-	-	-	146,200
Convertible bonds recognised as equity	-	-	-	-	899,149	-	-	-	899,149
At 30 June 2014 (Unaudited)	619,596	-	-	1,642	901,604	11,595	100	(213,296)	1,321,241
At 1 January 2015 (Audited)	667,298	-	-	-	910,937	-	337	(319,447)	1,259,125
Loss for the period	-	-	-	-	-	-	-	(162,488)	(162,488)
Other comprehensive income for the period	-	-	-	-	-	-	7	-	7
Total comprehensive income for the period	-	-	-	-	-	-	7	(162,488)	(162,481)
Issuance of share options	-	-	-	139	-	-	-	-	139
Issuance of convertible bonds	-	-	-	-	10,296	-	-	-	10,296
Deferred tax arising on issue of convertible notes	-	-	-	-	(1,699)	-	-	-	(1,699)
Issuance of shares upon conversion of convertible bonds	90,343	-	-	-	(39,737)	-	-	-	50,606
Issuance of shares upon placing	89,000	-	-	-	-	-	-	-	89,000
Transaction cost attributable to placing new shares	(2,766)	-	-	-	-	-	-	-	(2,766)
At 30 June 2015 (Unaudited)	843,875	-	-	139	879,797	-	344	(481,935)	1,242,220



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Net cash flow used in operating activities</b>		<b>(32,064)</b>	(85,482)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(10)	(1,694)
Other interest received		12	135
Cash from acquisition of a subsidiary	24	1,000	12,054
<b>Net cash flow generated from investing activities</b>		<b>1,002</b>	10,495
<b>Cash flows from financing activities</b>			
Proceeds from issue of convertible bonds		58,200	43,200
Repayment of issue of non-convertible bonds		–	(7,000)
Repayment of loan repayable		–	(5,000)
Repayment of borrowings		(40,000)	–
Proceeds from issue of shares upon exercise of share options		–	1,307
Proceeds from issue of shares upon conversion of convertible bonds options		–	7,987
Proceeds from issue of shares upon placing		86,234	69,600
Other interest expenses paid		–	(479)
<b>Net cash flow generated from financing activities</b>		<b>104,434</b>	109,615
Net increase in cash and cash equivalents		<b>73,372</b>	34,628
Effect of foreign exchange rate changes		7	95
Cash and cash equivalents at the beginning of the period		17,512	3,979
<b>Cash and cash equivalents at the end of the period</b>		<b>90,891</b>	38,702
<b>Analysis of balances of cash and cash equivalents</b>			
<b>Cash and bank balances</b>		<b>90,891</b>	38,702



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014 as contained in the Company’s annual report 2014 (the “**Annual Report 2014**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”).

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements are presented in HK dollars (“**HK\$**”), which is the same as the functional currency of the Group. All values are rounded to the nearest thousand, unless otherwise stated. These unaudited condensed consolidated financial statements were approved for issue on 24 August 2015.

The financial information relating to the financial year ended 31 December 2014 that is included in this interim results announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets

The accounting policies adopted in the unaudited condensed consolidated financial statements for the six months ended 30 June 2015 are consistent with those followed in the preparation of the Annual Report 2014 except for the impact of the adoption of the new and revised standards, amendments and interpretations (the “**new HKFRSs**”).

In the current period, the Group has applied, for the first time, a number of the new HKFRSs issued by the HKICPA which are effective for the Group’s financial period beginning 1 January 2015. A summary of the new HKFRSs are set out as below:

Amendments to HKFRSs	Annual Improvements 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>4</sup>
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements <sup>4</sup>
HKFRS 10 and HKAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKAS 1 (Amendments)	Disclosure Initiative <sup>4</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>4</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted*

<sup>2</sup> *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted*

The Group is in progress of assessing the impact of these new or revised HKFRSs, certain of which may be relevant to the Group's operations and may give rise to changes in disclosure and remeasurement of certain items in the condensed consolidated interim financial statements.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 3. SEGMENT INFORMATION

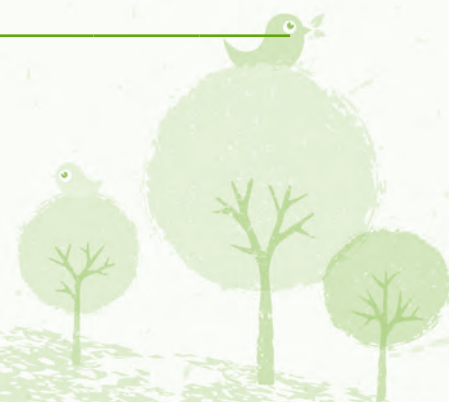
The Group's operating and reportable segments are as follows:

- (a) loan financing
- (b) treasury investments
- (c) design and provision of energy saving solutions

The following is an analysis of the Group's revenue and results by operating segment for the period:

#### Segments revenue and results

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Consolidated	
	For the six months ended 30 June							
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Turnover</b>								
External sales	927	3,752	-	-	10,997	-	11,924	3,752
<b>Results</b>								
Segment results	(660)	1,528	12,136	(20,484)	(9,611)	(3,028)	1,865	(21,984)
Unallocated corporate expenses							(13,555)	(115,236)
Amortisation of intangible assets							(27,242)	-
Loss on disposal of a subsidiary							(80,531)	-
Fair value change on contingent consideration payables							(6,520)	-
Finance costs							(50,237)	-
Loss before taxation							(176,220)	(137,220)
Taxation							13,732	-
Loss for the period							(162,488)	(137,220)



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 3. SEGMENT INFORMATION *(continued)*

Revenue reported was generated from external customers. There were no inter-segment sales during the six months ended 30 June 2015 and 2014.

Segment results represent the profit/(loss) by each segment without allocation of centralised administration costs such as certain other revenue, directors' emolument, staff salaries, operating lease payments and certain legal and professional fees. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

#### Segment assets and liabilities

	Loan financing		Treasury investments		Design and provision of energy saving solutions		Consolidated	
	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
<b>Assets</b>								
Segment assets	2,927	205,168	29,687	24,354	2,250,433	2,197,997	2,283,047	2,427,519
Unallocated corporate assets							1,684	4,020
							<b>2,284,731</b>	2,431,539
<b>Liabilities</b>								
Segment liabilities	42,297	40,710	-	-	18,517	66,493	60,814	107,203
Unallocated corporate liabilities							981,697	1,065,211
							<b>1,042,511</b>	1,172,414

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate financial assets;
- all liabilities are allocated to reportable segments other than corporate financial liabilities, deferred tax liabilities, convertible bonds, promissory notes and contingent consideration payables.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 4. REVENUE

Revenue which is also the Group turnover, represents interest income from loan financing, treasury investments and income from design and provision of energy saving and solutions.

An analysis of the Group's revenue by principal activities are as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loan financing:		
Interest on mortgage loans	–	1,500
Interest on loan receivables	<b>927</b>	2,252
	<b>927</b>	3,752
Design and provision of energy saving solutions:		
Sale of goods	<b>1,914</b>	–
Sale of goods under finance lease	<b>9,083</b>	–
	<b>10,997</b>	–
	<b>11,924</b>	3,752



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 5. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	12	–
Interest income on finance lease receivables	1,350	–
Others	–	168
	<b>1,362</b>	<b>168</b>

### 6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on borrowings	2,964	873
Interest expenses on securities trading accounts	–	19
Imputed interest on promissory notes	12,865	–
Imputed interest on convertible bonds	34,408	–
	<b>50,237</b>	<b>892</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 7. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Staff costs (including Directors' remuneration):		
– Directors' fee	<b>2,433</b>	809
– Salaries, bonus and wages	<b>8,089</b>	2,409
– Contribution to retirement benefits schemes	<b>1,050</b>	78
	<b>11,572</b>	3,296
Amortisation of intangible assets	<b>27,242</b>	–
Cost of inventories sold	<b>9,080</b>	–
Depreciation of property, plant and equipment	<b>678</b>	470
Operating lease payments	<b>3,905</b>	2,068
Share-based payment expenses	<b>139</b>	–
Referral fee for acquisition of a subsidiary	<b>–</b>	86,660





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 8. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<hr/>		
<b>Deferred taxation</b>		
Credit for the period	<b>(13,732)</b>	–
	<hr/>	<hr/>
	<b>(13,732)</b>	–
	<hr/>	<hr/>

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits in Hong Kong for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

### 9. INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividends in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<hr/>		
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b>(162,488)</b>	(137,220)
	<hr/>	

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
<hr/>		
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>1,234,867</b>	627,872
	<hr/>	

The computation of diluted loss per share for the period ended 30 June 2015 does not include convertible bonds and share options as the assumed exercise of these convertible bonds and share options has an anti-dilutive effect.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 11. INTANGIBLE ASSETS

	<b>Patent</b> <i>HK\$'000</i>
<hr/>	
<b>Cost</b>	
At 31 December 2014 and 1 January 2015 (Audited)	889,901
Additions	–
	<hr/>
At 30 June 2015 (Unaudited)	889,901
	<hr/>
<b>Accumulated amortisation and impairment</b>	
At 31 December 2014 and 1 January 2015 (Audited)	29,512
Amortisation expenses	27,242
	<hr/>
At 31 December 2015 (Unaudited)	56,754
	<hr/>
<b>Carrying amounts</b>	
<b>At 30 June 2015 (Unaudited)</b>	<b>833,147</b>
	<hr/>
At 31 December 2014 (Audited)	860,389
	<hr/>

*Notes:*

- (a) The intangible assets represent 7 patents regarding the acquired and owned "Ultra Performance Plant Control System" ("UPPC") for its novelty and industrial applicability in the PRC.
- (b) The patents for UPPC system's useful life used in the calculation of amortisation is 16.3 years.
- (c) The valuation of the patent is based on the relief-from-royalty method and uses cash flow projections based on financial estimates covering a ten-year period, the expected sales deriving from the patents in provision and design of energy system CGU and the discount rate used is 18.67%. The cash flows beyond the ten-year period are extrapolated using a steady 3% growth rate. Management has considered the above assumptions and valuation and also taken into account the business plan going forward.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 12. PROPERTY, PLANT AND EQUIPMENT

The total cost of additions to the property, plant and equipment of the Group during the six months ended 30 June 2015 was approximately HK\$10,000 (six months ended 30 June 2014: approximately HK\$1,666,000).

### 13. GOODWILL

	<i>HK\$'000</i>
<b>Cost</b>	
As at 31 December 2014 and 1 January 2015 (Audited)	1,275,620
Additions	–
At 30 June 2015 (Unaudited)	1,275,620
<b>Impairment</b>	
As at 31 December 2014 and 1 January 2015 (Audited)	–
Impairment for the year	–
At 30 June 2015 (Unaudited)	–
<b>Carrying amounts</b>	
<b>As at 30 June 2015 (Unaudited)</b>	<b>1,275,620</b>
As at 31 December 2014 (Audited)	1,275,620

Particular of impairment testing on goodwill is disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Design and provision of energy saving solutions



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 13. GOODWILL (continued)

#### Impairment testing on goodwill

The recoverable amount of the above cash generating unit was determined on the basis of value in use calculations. The recoverable amount is based on certain assumptions. All value in use calculations use cash flow projections based on the financial budgets approved by the management covering a 10-year period. The pre-tax discount rate used is 18.67% per annum. Cash flows beyond 10-year period are extrapolated using a steady rate of 3% per annum. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The key assumption used in the value in use calculations are as follows:

Budgeted market share	Average market share in the period immediately before the budget period. The values assigned to the assumption reflect past experience.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period which reflect past experience.

### 14. LOAN RECEIVABLES

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Fixed-rate loan receivables	<b>327</b>	30,400
Variable-rate loan receivables	–	202,712
	<b>327</b>	231,112
Less: accumulated impairment allowance	–	(29,032)
	<b>327</b>	202,080



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 14. LOAN RECEIVABLES *(continued)*

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Carrying amount analysed for reporting purposes:		
Current assets	<b>156</b>	171,829
Non-current assets	<b>171</b>	30,251
	<b>327</b>	202,080

The maturity profile of the loan receivables at the end of reporting period, analysed by the remaining periods to their contracted maturity is as follow:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Repayable:		
Within 3 months	<b>38</b>	171,716
Over 3 months but less than 1 year	<b>118</b>	113
Over 1 year but less than 5 years	<b>171</b>	10,251
Over than 5 years	<b>–</b>	20,000
	<b>327</b>	202,080

Movement in the accumulated impairment allowance on loan receivables:

	HK\$'000
At 31 December 2014 and 1 January 2015	29,032
Disposal of a subsidiary during the period	(29,032)
<b>At 30 June 2015</b>	<b>–</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 14. LOAN RECEIVABLES *(continued)*

Included in the above accumulated impairment allowance recognised at 31 December 2014 was individually impaired loan receivables with carrying amount of approximately HK\$200,712,000 before impairment which have been in financial difficulties. No accumulated impairment allowance is recognised at 30 June 2015.

### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Held-for-trading investments:		
Equity securities listed in Hong Kong	<b>29,687</b>	24,354

#### Notes

- (i) At 30 June 2015 and 31 December 2014, the fair value of the listed equity securities was determined based on the quoted market bid prices available on the Stock Exchange.
- (ii) As at 31 December 2012, a loan receivables with a principal amount of HK\$60,000,000 due to The Building and Loan Agency (Asia) Limited (the "**BLA (Asia)**") by a borrower, carried fixed interest rate at 9% per annum and the repayment of such a loan receivable was secured by a charge over certain convertible bonds issued by a listed entity in Hong Kong.

On the borrower's default in repayment, the BLA (Asia) enforced the security and the convertible bonds were converted into shares in the listed entity. The said loan receivables and interest accrued thereon has thus been repaid during the year ended 31 December 2013. The repaid amounts by such listed shares were classified as financial assets at fair value through profit or loss. For any surplus arising from the conversion of shares for the settlement, there is a possibility that the Company may face with relevant claim from the borrower. The Directors advise that all such shares have been dealt with in accordance with legal advice.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 16. TRADE AND BILLS RECEIVABLES

Included in trade and bills receivables, the ageing analysis of trade receivables is as follows:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
0 – 90 days	<b>92</b>	1,006
91 – 180 days	–	–
181 – 365 days	–	–
Over 365 days	<b>118</b>	118
Total trade receivables	<b>210</b>	1,124
Bills receivables	–	79
	<b>210</b>	1,203

According to the credit rating of different customers, the Group allows average credit term of 90 days to its customers.

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The impairment loss recognised represents the difference between the carrying amount of the specific trade receivables and the present value of the expected recoverable amount.





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Interest receivables	–	88,753
Prepayments	<b>1,740</b>	1,176
Receivables from disposal of subsidiaries	<b>9,200</b>	9,300
Value-added tax receivables	<b>222</b>	353
Other receivables	<b>1,103</b>	86
Others	<b>232</b>	1,921
	<b>12,497</b>	101,589
Less: accumulated impairment allowance	<b>(9,200)</b>	(97,458)
	<b>3,297</b>	4,131

The movement in the provision for impairment allowance on interest receivables and other receivables is as follows:

	<b>Accumulated impairment allowance on interest receivables HK\$'000</b>	<b>Accumulated impairment allowance on other receivables HK\$'000</b>	<b>Total HK\$'000</b>
At 31 December 2014 and 1 January 2015	88,258	9,200	97,458
Disposal of a subsidiary during the period	(88,258)	–	(88,258)
<b>At 30 June 2015</b>	<b>–</b>	<b>9,200</b>	<b>9,200</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 18. FINANCE LEASE RECEIVABLES

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Current finance lease receivables	<b>10,942</b>	8,863
Non-current finance lease receivables	<b>24,180</b>	18,877
	<b>35,122</b>	27,740

#### Leasing arrangements

Certain of the Group's energy saving equipment are leased out under finance leases. All leases are denominated in RMB. The average term of finance lease entered into is 5 – 10 years.

#### Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Not later than 1 year	<b>11,223</b>	9,129	<b>10,942</b>	8,863
Later than one year and not later than five years	<b>24,676</b>	19,459	<b>20,896</b>	16,470
Later than five years	<b>4,450</b>	3,455	<b>3,284</b>	2,407
	<b>40,349</b>	32,043	<b>35,122</b>	27,740
Less: unearned finance income	<b>(5,227)</b>	(4,303)	<b>N/A</b>	N/A
Present value of minimum lease payments receivable	<b>35,122</b>	27,740	<b>35,122</b>	27,470



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 18. FINANCE LEASE RECEIVABLES *(continued)*

#### Amounts receivable under finance leases *(continued)*

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 8.45% per annum for the period ended 30 June 2015 (31 December 2014: 8.45%).

The finance lease receivables as at 30 June 2015 are neither past due nor impaired (31 December 2014: Nil).

### 19. TRADE AND OTHER PAYABLES

	<b>30 June</b> <b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Trade payables	<b>3,287</b>	2,416
Accrued service fee for acquisition of a subsidiary	–	3,871
Accrued expenses	<b>5,730</b>	7,258
Receipt in advance	<b>790</b>	447
Interest payables	<b>2,700</b>	2,285
Other payables	<b>4,880</b>	1,298
	<b>17,387</b>	17,575



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 19. TRADE AND OTHER PAYABLES *(continued)*

An aged analysis of trade payables is as follows:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
0 to 90 days	<b>2,497</b>	1,585
91 to 180 days	<b>131</b>	214
181 to 365 days	<b>52</b>	–
Over 365 days	<b>607</b>	617
	<b>3,287</b>	2,416

As at 30 June 2015 and 31 December 2014, the trade payables are interest-free and normally settled on delivery. The average credit period on purchases of goods is 90 days.

### 20. BORROWINGS

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
<i>Carrying amount repayable:</i>		
Borrowing due within one year	–	40,000

At 31 December 2014, the Group entered into a loan agreement with an independent third party, for borrowing of HK\$40,000,000, which is secured by a guarantee given by CITIC International Assets Management Limited (“CIAM”), a shareholder of the Company, and carries a fixed interest rate at 12% per annum. The balance was fully settled during the period ended 30 June 2015.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 21. CONVERTIBLE BONDS (“CB”)

**(a) The movement of CB I is as follows:**

CB I entitled the holders to convert them into ordinary shares of the Company at any time between the period commencing from the date of issuance of CB I and its maturity date at the conversion price of HK\$0.10. The effective interest rate of the liability component of CB I is 10.466%.

CB I with an aggregated principal amount of HK\$1,566,000 has been converted into 15,660,000 ordinary shares of the Company at HK\$0.10 during the six months period ended 30 June 2015.

**(b) The movement of CB II is as follows:**

On 17 February 2014, the Company issued convertible bonds with a principal amount of HK\$43,200,000 (“CB II”). Each CB II entitled the holder to convert into ordinary share of the Company at a conversion price of HK\$0.135 per share. The maturity date of CB II is 31 December 2016. The effective interest rate of the liability component of CB II on initial recognition is 10.448%.

CB II with an aggregated principal amount of HK\$41,850,000 has been converted into 310,000,000 ordinary shares of the Company at HK\$0.135 during the six months period ended 30 June 2015.

**(c) The movement of CB A and CB B are as follows:**

On 13 June 2014, the Company issued CB A and CB B, with principal amounts of HK\$434,980,000 and HK\$827,520,000 respectively as a part of the consideration for its acquisition (“**Acquisition**”) of Weldtech Technology Co. Ltd (“**Weldtech Technology**”) together with its subsidiary, the “**Weldtech Group**”). Both CB A and CB B are non-interest bearing for the first three years, followed by 3% interest per annum from the fourth to the remaining years. CB A can be converted as from the date of issue while CB B can only be converted as from 1 July 2015. The maturity date of both CB A and CB B is on 31 December 2023. The effective interest rate of the liability component on initial recognition is 15.99% per annum.

CB A with an aggregate principal amount of HK\$38,350,900 has been converted into 47,938,500 ordinary shares of the Company at HK\$0.80 during the six months period ended 30 June 2015.

No conversion of shares has been exercised for the principal amount of CB B during the six months period ended 30 June 2015.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 21. CONVERTIBLE BONDS (“CB”) (continued)

**(d) The movement of CB 2015 is as follows:**

On 8 October 2012, the Company issued 100 options at the premium of HK\$7,830 each to the subscribers conferring the rights to the holders of the options thereof to subscribe for convertible bonds of the Company in the principal amount of HK\$156,600 each at any time during the period from 8 October 2012 to 31 July 2014 (“CB I”).

On 15 June 2015, the Company issued convertible bonds (“CB 2015”) with a principal amount of HK\$60,000,000, which bears a 6% coupon rate per annum. CB 2015 will mature on the second anniversary of the issue date and can be converted into ordinary shares of the Company at HK\$0.89 per share after the date of issue. The effective interest rate of the liability component on initial recognition is 17.81% per annum.

The movements of liability and equity components of CB 2015 for the period ended 30 June 2015 are set out below:

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
Issued during the period	47,078	10,296	57,374
Interest charged	361	–	361
Interest paid	(150)	–	(150)
<b>At 30 June 2015 (unaudited)</b>	<b>47,289</b>	<b>10,296</b>	<b>57,585</b>

### 22. PROMISSORY NOTES

On 13 June 2014, the Company issued promissory notes (“PN A”) with a principal amount of HK\$474,400,000 as part of the consideration for acquiring the entire issued share capital of Weldtech Technology. The fair value of PN A was approximately HK\$247,295,000 on 13 June 2014. PN A is non-interest bearing and will mature on 31 December 2018. The effective interest rate on initial recognition is 15.4% per annum.

The movement of the carrying amount of PN A during the six months period ended 30 June 2015 is set out below:

	<i>HK\$'000</i>
At 31 December 2014 and 1 January 2015	192,891
Interest charged calculated at an effective interest rate of 15.4%	12,864
Disposal of a subsidiary	(121,554)
<b>At 30 June 2015</b>	<b>84,201</b>

As at 30 June 2015, the fair value of promissory notes was approximately HK\$84,201,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 23. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2015 '000	31 December 2014 '000	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
<b>At the beginning of the period/year</b>	<b>1,025,749</b>	540,585	<b>667,298</b>	54,059
Transition to no-par value regime on 3 March 2014 ( <i>Note (i)</i> )	–	–	–	329,244
Exercise of share option ( <i>Note (vi)</i> )	–	13,488	–	5,325
Issuance of shares upon placing, ( <i>Note (ii) and (iii)</i> )	<b>100,000</b>	127,000	<b>86,234</b>	101,600
Issuance of consideration shares ( <i>Note (vii)</i> )	–	170,000	–	146,200
Issuance of shares upon conversion of convertible bonds ( <i>Note 21</i> )	<b>373,599</b>	174,676	<b>90,343</b>	30,870
<b>At the end of the period/year</b>	<b>1,499,348</b>	1,025,749	<b>843,875</b>	667,298

Notes:

- (i) Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of “authorised share capital” and “par value” no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the share capital reserve account (in the nature of capital redemption reserve as it was generated from capital reduction occurred in the year 2012) on 3 March 2014 have become part of the Company’s share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 23. SHARE CAPITAL (continued)

Notes: (continued)

#### (ii) Top-up Placing and Top-up Subscription

On 2 June 2015, the Company entered into a placing and subscription agreement with CIAM and Convoy Investment Services Limited (“**Convoy**”) pursuant to which (i) CIAM has agreed to place, through Convoy, on a best-effort basis, an aggregate of up to 100,000,000 shares held by CIAM (the “**Top-up Placing Share(s)**”), at the placing price of HK\$0.89 per Top-up Placing Share (the “**Top-up Placing**”); and (ii) CIAM has agreed to subscribe for up to 100,000,000 shares (the “**Top-up Subscription Share(s)**”) at the subscription price of HK\$0.89 per Top-up Subscription Share.

The gross proceeds from Top-up Placing were approximately HK\$89,000,000 and the net proceeds after deducting all relevant expenses were approximately HK\$85,500,000. The net proceeds were used (i) as to approximately HK\$76,643,000 for repayment of outstanding indebtedness (including HK\$21,519,000 repayment after the reporting period ended on 30 June 2015) and (ii) as to approximately HK\$8,857,000 for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 3 June 2015 and 15 June 2015.

#### (iii) Placing 2014

On 27 May 2014, the Company and (i) China Securities (International) Corporate Finance Company Limited; (ii) Pacific Foundation Securities Limited (“**PFS**”); (iii) FT Securities Limited (“**FTS**”); (iv) RHB OSK Securities Hong Kong Limited; and (v) Ping An of China Securities (Hong Kong) Company Limited (collectively, the “**Joint Placing Agents**”) entered into a placing agreement pursuant to which, the Company has conditionally agreed to place, through the Joint Placing Agents on a best effort basis, up to 397,000,000 placing shares in tranches at the placing price of HK\$0.8 per placing share, to not less than six places who and whose beneficial owners are independent third parties to the Company (the “**Placing 2014**”).

The gross proceeds from the Placing 2014 were approximately HK\$69,600,000 and the net proceeds after deducting placing commission and other related expenses were approximately HK\$65,600,000. The net proceeds were used as to (i) HK\$35.6 million for professional fees and expenses in relation to the Acquisition; and (ii) HK\$30 million for general working capital of Weldtech Technology, including applying for the roll out of energy management contract projects and its daily operating expenses.

#### (iv) Subscription of New Shares under General Mandate

Pursuant to the stock lending and subscription agreement, which was entered into between the Company, a group of shareholders procured by PFS (the “**Other Vendors**”) and PFS, the Other Vendors conditionally agreed to lend or otherwise make available up to 87,000,000 shares (the “**PF Placing Shares**”) to PFS for the purpose of the placing by PFS, and PFS was authorised to deal with the PF Placing Shares in such manner in the placing by PFS under the Placing 2014 as it deems fit and appropriate. The Other Vendors also undertook to subscribe for up to 87,000,000 Shares as was equivalent to the exact number of PF Placing Shares placed, and the subscription was governed and regulated by the provisions under the stock lending and subscription agreement. The shares subscribed were issued under the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting of the Company held on 21 June 2013.

For further details, please refer to the Company’s announcements dated 27 May 2014, 28 May 2014, 6 June 2014 and 16 June 2014.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 23. SHARE CAPITAL *(continued)*

*Notes: (continued)*

**(v) Subscription of New Convertible Bond under Specific Mandate**

On 27 May 2014, the Company, Sina Winner Investment Limited (a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8089)) (the “**Sina Winner**”), and FTS entered into a convertible bonds lending and subscription agreement, pursuant to which Sina Winner has conditionally agreed to lend or otherwise make the existing convertible bonds in the principal amount of HK\$41,850,000 which upon full conversion can be converted into 310,000,000 new shares to be allotted and issued by the Company at the conversion price of HK\$0.135 per share (the “**CB 2014**”) available to FTS at the principal amount of the CB 2014, and FTS may convert the principal amount of the CB 2014 or any part thereof into such number of shares for the purpose of the placing by FTS.

Based on the initial conversion price of HK\$0.135 of the new convertible bonds, a maximum number of 310,000,000 new conversion shares will be allotted and issued upon exercise of the conversion rights attaching to the new convertible bonds in full.

**(vi) Exercise of share options**

During the year ended 31 December 2014, 13,488,000 ordinary shares of HK\$0.02 each were issued as a result of exercise of share options under the Share Option Scheme.

**(vii) Issuance of consideration shares**

On 13 June 2014, 170,000,000 consideration shares were issued at a price of HK\$0.8 per share as part of the consideration for the acquisition of the entire issued share capital of Weldtech Technology.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 24. DISPOSAL OF A SUBSIDIARY

On 10 June 2015, the Group entered into a sale and purchase agreement to dispose the entire issued share capital of Revelry Gains Limited (“**Revelry Gains**”) to an independent third party for a total cash consideration of HK\$1,000,000 (the “**Disposal**”). The disposal was completed on 11 June 2015. Summary of the effects of the disposal is as follows:

	<i>HK\$'000</i>
<b>Net assets disposed of:</b>	
Prepayments, deposits and other receivables	1,405
Loan receivables	201,680
Promissory notes	(121,554)
Net assets disposed of	<u>81,531</u>

#### Loss on disposal of subsidiary

	<i>HK\$'000</i>
Consideration received	1,000
Net assets disposal	(81,531)
Loss on disposal	<u>(80,531)</u>

#### Net cash inflow from disposal of subsidiary

	<i>HK\$'000</i>
Consideration received in cash and cash equivalents	1,000
Less: cash and cash equivalent balances disposed of	–
Net cash inflow from disposal of subsidiaries	<u>1,000</u>

Before considering the fair value effect of the promissory notes, the disposed aggregate principal amounts of promissory notes were approximately HK\$203,108,000 which formed part of the liabilities of Revelry Gains. After taken up the fair value effect the carrying amounts of disposed promissory notes were approximately of HK\$121,554,000, and therefore, the Group recorded a loss approximately HK\$80,531,000 as a result of the Disposal. Such loss had no material cash flow effect to the Company during the six months period ended 30 June 2015. The Disposal was completed on 11 June 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 25. OPERATING LEASE COMMITMENT

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for certain of its office premises as follows:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	31 December 2014 HK\$'000 (Audited)
Within one year	<b>5,860</b>	6,207
In the second to fifth years inclusive	<b>3,653</b>	6,480
	<b>9,513</b>	12,687

Leases are negotiated and rental are fixed for term of 1 to 3 years (2014: 1 to 3 years).

### 26. CAPITAL COMMITMENTS

The Group had capital commitments to pay construction costs approximately amounting to HK\$294,000 in total, which were contracted but not provided for as at 30 June 2015 (31 December 2014: approximately HK\$4,338,000).

### 27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined as follows:

- (i) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively; and
- (ii) The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identified assets and liabilities.
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 June 2015			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets</b>				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	29,687	–	–	29,687
<b>Financial liabilities</b>				
Contingent consideration payables	–	–	99,623	99,623
Convertible bonds	–	–	501,160	501,160
Promissory notes	–	–	84,201	84,201
	–	–	684,984	684,984



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 27. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

	31 December 2014			Total <i>HK\$'000</i>
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	
<b>Financial assets</b>				
Financial assets at FVTPL				
Equity securities listed in Hong Kong	24,354	–	–	24,354
<b>Financial liabilities</b>				
Contingent consideration payables	–	–	93,103	93,103
Convertible bonds	–	–	497,293	497,293
Promissory notes	–	–	199,084	199,084
	–	–	789,480	789,480

The fair value of financial instruments is based on quoted market prices provided by the issuer.

There were no transfers between Levels 1 and 2 during the six months ended 30 June 2015.

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

### 28. EVENTS AFTER REPORTING PERIOD

- (a) On 21 July 2015, the Company entered into a placing agreement with RHB OSK Securities Hong Kong Limited ("**RHB**") pursuant to which the Company agreed to place through RHB an aggregate of up to 50,000,000 new shares at the placing price of HK\$0.89 per placing share.
- (b) On 10 August 2015, the Company, as the purchaser, entered into a share purchase agreement with Ms. Chen Bi Chu, a shareholder of Infodisc Technology Co. Ltd. ("**Infodisc**"), as the vendor (the "**Taiwan Vendor**"), pursuant to which the Taiwan Vendor has agreed to sell and the Company has agreed to purchase 6,100,000 shares of Infodisc which represent approximately 9.45% of the entire issued equity interest in Infodisc at the consideration of TWD82,200,000 (equivalent to approximately HK\$20,100,000) to be settled in cash. The purchase was completed on 14 August 2015.
- (c) On 10 August 2015, the Company entered into a placing agreement with RHB pursuant to which the Company agreed to place through RHB, on a best-effort basis, an aggregate of up to 24,000,000 new Shares, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules), at the placing price of HK\$0.89 per placing share.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in investment holding, treasury investments, provision of loan financing and design and provision of energy saving solutions.

During the six months ended 30 June 2015, the Group recorded an unaudited revenue of approximately HK\$11,924,000, representing an increase of 217.8% as compared with approximately HK\$3,752,000 for the last corresponding period. An unaudited loss attributable to the owners of the Company of approximately HK\$162,488,000 (2014: loss of approximately HK\$137,220,000) was recorded. Such increase in loss was mainly attributable to an one-off loss of approximately HK\$80,531,000 on disposal of a subsidiary and finance costs of approximately HK\$50,237,000 due to interest amortisation of the convertible bonds and promissory notes issued for the the acquisition of Weldtech Technology Co. Limited (“**Weldtech Technology**”) and its subsidiary, Haoxin Technology (Shanghai) Company Limited (濠信節能科技(上海)有限公司) (“**Haoxin**”), (collectively, the “**Weldtech Group**”) (the “**Acquisition**”).

Of the total revenue, approximately HK\$927,000 (2014: approximately HK\$3,752,000) was generated from the Group’s loan financing business which contributed a segment loss of approximately HK\$660,000 (2014: profit of approximately HK\$1,528,000). Such increase in loss was mainly attributable to decrease of interest income from loan receivables due to the disposal of loans through disposal of a subsidiary during the six months ended 30 Jun 2015.

With respect to the segment of treasury investments, a segment profit of approximately HK\$12,136,000 was recorded for the period under review, as compared to the segment loss of approximately HK\$20,484,000 in last year. Such increase in profit recorded for the treasury investments is mainly attributable to the increase in the share prices of the equity securities held for investments.

With respect to the segment of design and provision of energy saving solutions, a segment loss of approximately HK\$9,611,000 was recorded for the six months ended 30 June 2015 (2014: approximately HK\$3,028,000). Such increase in loss was mainly due to the increase of operating expenses of approximately HK\$10,000,000 in 2015. A full six months’ operating expenses were recorded during the current period in 2015 as compared to the fact that the operating expenses recorded for the corresponding period in 2014 was for the period from completion of the Acquisition on 13 June to 30 June 2014 only. As at 30 June 2015, the Group held finance lease receivable amounting to approximately HK\$35,122,000.



## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group's bank balances and cash amounted to approximately HK\$90,891,000 (31 December 2014: approximately HK\$17,512,000). The liabilities included approximately HK\$40,000,000 of non-convertible bonds (31 December 2014: approximately HK\$40,000,000) and approximately HK\$501,160,000 of convertible bonds (31 December 2014: approximately HK\$470,506,000). The net assets of the Group amounted to approximately HK\$1,242,220,000 (31 December 2014: approximately HK\$1,259,125,000) and the net current asset of the Group amounted to approximately HK\$74,426,000 (31 December 2014: approximately HK\$120,736,000).

Gearing ratio of the Group as at 30 June 2015, which was calculated as net debts (as calculated by total borrowings less bank balances and cash) divided by total equity, was 0.30 (31 December 2014: 0.38).

## CAPITAL STRUCTURE

As at 30 June 2015, the Company's number of issued ordinary shares was 1,499,348,091 ("**Share(s)**") (31 December 2014: 1,025,749,466 Shares).

## CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

The Group did not have any charges on its assets and there were no contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

## FOREIGN CURRENCY EXPOSURE

The Group conducts its business transactions mainly in Hong Kong Dollar and Renminbi. As the Hong Kong Dollar is pegged to the U.S. Dollar, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the fluctuations of Renminbi. The Group has not entered into any significant foreign exchange contract. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.





## DISPOSAL OF A SUBSIDIARY

On 10 June 2015, the Group entered into a sale and purchase agreement to dispose the entire issued share capital of Revelry Gains Limited (“**Revelry Gains**”), to an independent third party for a total cash consideration of HK\$1,000,000 (the “**Disposal**”). Before considering the fair value effect of the promissory notes, the disposed aggregate principal amounts of promissory notes were approximately HK\$203,108,000 which formed part of the liabilities of Revelry Gains. After taken up the fair value effect the carrying amounts of disposed promissory notes were approximately of HK\$121,554,000, and therefore, the Group recorded a loss approximately HK\$80,531,000 as a result of the Disposal. Such loss had no material cash flow effect to the Company during the period ended 30 June 2015. The Disposal was completed on 11 June 2015.

For further details, please refer to the announcement of the Company dated 10 June 2015.

## MATERIAL ACQUISITION AND INVESTMENTS

### Acquisition of entire equity interest in Weldtech Technology

Total Global Holdings Limited, a wholly-owned subsidiary of the Company (the “**Purchaser**”), CITIC International Assets Management Limited (“**CIAM**”), Ample Richness Investments Limited, Smart Promise Limited, Infinite Soar Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Carbon Reserve Investments Limited and Season Best Investments Limited (as the vendors, collectively the “**Vendors**”) and the Company entered into the sale and purchase agreement on 31 October 2013 (the “**Sale and Purchase Agreement**”), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of Weldtech Technology at a total consideration of HK\$2,476,000,010 (the “**Consideration**”, HK\$10,000,000 of the Consideration has been paid by the Purchaser to CIAM (being one of the Vendors) as refundable deposit and form part payment of the Consideration).

An extraordinary general meeting was held on 30 April 2014 in which the Acquisition and transactions contemplated thereunder were approved by shareholders of the Company and the Acquisition was completed on 13 June 2014. Upon completion of the Acquisition, convertible bonds A with principal amount of HK\$434,980,000, convertible bonds B with principal amount of HK\$827,520,000, promissory notes (including promissory notes A, B and C) and consideration shares were issued by the Company to the Vendors as the Consideration (other than the Cash Consideration (as defined below)).

Following the completion of the Acquisition on 13 June 2014, Weldtech Technology became an indirect wholly-owned subsidiary of the Company and the results of the Weldtech Group has been consolidated into the financial statements of the Group.



## MATERIAL ACQUISITION AND INVESTMENTS *(continued)*

### Acquisition of entire equity interest in Weldtech Technology *(continued)*

The Company, the Purchaser and the Vendors entered into a supplemental agreement and a second supplemental agreement on 13 June 2014 and 22 September 2014 respectively to extend the date for settlement of the cash portion of Consideration in an aggregate amount of HK\$33,100,000 (the “**Cash Consideration**”) to within 9 months upon completion of the Acquisition.

On 13 March 2015, the due date for settlement of the Cash Consideration has been further extended to on or before 13 September 2015.

For further details, please refer to the Company’s announcements dated 6 December 2013, 30 December 2013, 29 January 2014, 21 February 2014, 24 March 2014, 30 April 2014, 16 June 2014, 11 September 2014, 22 September 2014, 19 November 2014, 13 March 2015 and 27 March 2015 and the Company’s circular dated 11 April 2014.

### Purchase of 9.45% equity interest in Infodisc

On 30 June 2015, the Company entered into a non-legally binding memorandum of understanding with three shareholders who owned an aggregate of approximately 28% (the “**Target Shareholders**”) of Infodisc Technology Co., Ltd. (“**Infodisc**”), a company established in Taiwan with limited liability whose shares are listed on the Taiwan Stock Exchange Corporation, in relation to a possible purchase of certain equity interest in Infodisc (the “**Taiwan MOU**”). Pursuant to the Taiwan MOU, the Company intends to purchase, and the Target Shareholders intend to assist the Company to purchase, certain equity interest in Infodisc.

On 10 August 2015, the Company, as the purchaser, entered into a share purchase agreement with Ms. Chen Bi Chu, a shareholder of Infodisc, as the vendor (the “**Taiwan Vendor**”), pursuant to which the Taiwan Vendor has agreed to sell and the Company has agreed to purchase 6,100,000 shares of Infodisc which represent approximately 9.45% of the entire issued equity interest in Infodisc (the “**Infodisc Share(s)**”) at the consideration of TWD82,200,000 (equivalent to approximately HK\$20,100,000) to be settled in cash.

Infodisc is engaged in the trading business and its customers are located in Taiwan, South-East Asia and Japan. Moreover, it is engaged in the provision of LED lighting solutions. The LED business is undergoing the expansion stage and Infodisc has completed the development of LED products and begun production. The Company’s operations are focused in the PRC and Hong Kong. The Company has identified Infodisc as an ideal platform to expand the Group’s presence to Taiwan. The purchase of Infodisc Shares opens up a new geographical market for the Group’s business, particularly the provision of energy saving solutions. Moreover, the purchase expands the product spectrum of the Group and the Group may leverage on Infodisc’s LED capability to develop the PRC market.

On 14 August 2015, the Company completed the purchase of 9.45% of Infodisc Shares.

For further details, please refer to the announcements of the Company dated 30 June 2015, 10 August 2015 and 14 August 2015.



## FUND RAISING ACTIVITIES

### Top-up Placing and Top-up Subscription

On 2 June 2015, the Company entered into a placing and subscription agreement with CIAM and Convoy Investment Services Limited ("**Convoy**") pursuant to which (i) CIAM has agreed to place, through Convoy, on a best-effort basis, an aggregate of up to 100,000,000 Shares held by CIAM (the "**Top-up Placing Share(s)**"), at the placing price of HK\$0.89 per Top-up Placing Share (the "**Top-up Placing**"); and (ii) CIAM has agreed to subscribe for up to 100,000,000 Shares (the "**Top-up Subscription Share(s)**") at the subscription price of HK\$0.89 per Top-up Subscription Share (the "**Top-up Subscription**").

The completion of the Top-up Placing took place on 5 June 2015 and an aggregate of 100,000,000 Top-up Placing Shares were successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules) at the placing price of HK\$0.89 per Top-up Placing Share. The Top-up Subscription took place on 15 June 2015 and an aggregate of 100,000,000 Top-up Subscription Shares were allotted and issued to CIAM at the subscription price of HK\$0.89 per Top-up Subscription Share.

The gross proceeds from Top-up Placing were approximately HK\$89,000,000 and the net proceeds after deducting all relevant expenses were approximately HK\$85,500,000. The net proceeds were used (i) as to approximately HK\$76,643,000 for repayment of outstanding indebtedness (including HK\$21,519,000 repayment after the reporting period ended on 30 June 2015) and (ii) as to approximately HK\$8,857,000 for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 3 June 2015 and 15 June 2015.

### CB Placing 2015

On 2 June 2015, the Company and Convoy entered into a placing agreement pursuant to which Convoy has conditionally agreed to place, on a best-effort basis, the convertible bonds in the principal amount of up to HK\$60,000,000 (the "**CB 2015**") to not less than six placees and the Company has conditionally agreed to issue the CB 2015 (the "**CB Placing 2015**").

The CB 2015 in the aggregated principal amount of HK\$60,000,000 were successfully placed by Convoy to not less than six placees who and whose respective ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The maturity date of CB 2015 shall be on 14 June 2017, which is the second anniversary of the issue date of the CB 2015. The CB 2015 shall bear interest at the rate of 6% per annum on the outstanding principal amount thereof.

Based on the initial conversion price of HK\$0.89 per conversion share, a maximum of 67,415,730 new Shares will be allotted and issued upon exercise of the CB 2015.



## FUND RAISING ACTIVITIES *(continued)*

### CB Placing 2015 *(continued)*

The gross proceeds from CB Placing 2015 were approximately HK\$60,000,000 and the net proceeds after deducting all relevant expenses were approximately HK\$57,500,000. The net proceeds were used (i) as to approximately HK\$20,100,000 for the acquisition of Infodisc Shares and (ii) as to approximately HK\$37,400,000 for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 3 June 2015 and 15 June 2015.

### Placing I

On 21 July 2015, the Company entered into a placing agreement with RHB OSK Securities Hong Kong Limited (“**RHB**”) pursuant to which the Company agreed to place through RHB an aggregate of up to 50,000,000 new Shares at the placing price of HK\$0.89 per placing share (the “**Placing I**”).

Completion of the Placing I took place on 30 July 2015 and a total of 50,000,000 new Shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

The gross proceeds from Placing I were approximately HK\$44,500,000 and the net proceeds after deducting all relevant expenses were approximately HK\$42,900,000. The net proceeds were used for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 21 July 2015 and 30 July 2015.

### Placing II

On 10 August 2015, the Company entered into a placing agreement with RHB pursuant to which the Company agreed to place through RHB, on a best-effort basis, an aggregate of up to 24,000,000 new Shares, to not less than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules), at the placing price of HK\$0.89 per placing share (the “**Placing II**”).

Assuming that all the 24,000,000 new Shares are placed under the Placing II, the gross proceeds and the estimated net proceeds from the Placing II are approximately HK\$21,360,000 (HK\$0.89 per new Share) and approximately HK\$20,550,000 (HK\$0.856 per new Share) respectively.

The Company intends to utilize the net proceeds from the Placing II for possible investments in the future when opportunities arise and/or for general working capital of the Group.

For further details, please refer to the announcement of the Company dated 10 August 2015.



## STAFF AND REMUNERATION

As at 30 June 2015, the Group had 52 (2014: 71) employees and total staff costs incurred during the period under review amounted to approximately HK\$11,834,000 (2014: approximately HK\$4,600,000). The Group offers competitive remuneration packages to its employees.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

## LITIGATION

There was no litigation, arbitration or claim of material importance in which the Group is engaged or pending or which was threatened against the Group so far as known to the Board.

## OUTLOOK AND PROSPECT

The Company acquired Weldtech in 2014 which is engaged in energy saving solutions business. The energy saving industry is identified as one of the key industries and is backed by the PRC government. The PRC government will continue to commit to reduce per unit of GDP in carbon dioxide emissions and target to cut energy usage intensity by 3.1% according to its 2015 government work report. With the continuous support of the PRC government in the area of energy saving and environment protection and taking full advantage of the government's favorable policies, the management is optimistic about the industry in which the Weldtech Group operates.

The Group is confident about the prospects of the business line and its significant growth potential and will continue to invest in the energy saving segment in 2015 accordingly. The Company will explore the various opportunity of fund raising including equity or debt financing alternatives.

With the acquisition of Infodisc Shares, the Group has added LED products to its product portfolio. It will further expand the Group's presence to Taiwan and cover the Greater China region.



## DISCLOSURE OF ADDITIONAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES

As at 30 June 2015, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as follows:

#### Long positions in ordinary shares of the Company

Name of Directors	Capacity	Number of Shares held	Number of underlying shares held (Note)	Percentage of the issued number of shares as at 30 June 2015
Mr. So Yuen Chun	Beneficial interest	4,351,200	–	0.29%
Ms. Diana Liu He	Beneficial interest	–	8,000,000	0.53%

*Note:* All are options granted by the Company under the share option scheme adopted by the Company on 22 May 2008 which shall be valid and effective for a period of ten years from the date of adoption.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and/or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of Underlying Shares	Approximate percentage of number of Shares in issue (Note 1)
CITIC Group Corporation (Note 2)	Interest of controlled corporation	102,552,205 (L)	922,346,668 (L)	68.35%
CITIC Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	922,346,668 (L)	68.35%
China CITIC Bank Corporation Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	922,346,668 (L)	68.35%
CITIC International Financial Holdings Limited (Note 2)	Interest of controlled corporation	102,552,205 (L)	922,346,668 (L)	68.35%
CITIC International Assets Management Limited ("CIAM") (Note 2)	Beneficial owner	102,552,205 (L)	922,346,668 (L)	68.35%
Cheng Lut Tim ("Mr. Cheng") (Note 3)	Interest of controlled corporation	35,597,448 (L)	383,704,262 (L)	27.96%
Chinese Strategic Holdings Limited ("Chinese Strategic") (Note 4)	Interest of controlled corporation	346,500,000 (L)	-	23.11%
Sina Winner Investment Limited ("Sina Winner") (Note 4)	Beneficial owner	293,088,000 (L)	-	19.54%
Smart Promise Limited ("Smart Promise") (Note 3)	Beneficial owner	22,679,814 (L)	210,538,725 (L)	15.55%
Infinite Soar Limited ("Infinite Soar") (Note 3)	Beneficial owner	12,917,633 (L)	119,915,537 (L)	8.85%
Excel Arts Limited ("Excel Arts") (Note 5)	Interest of controlled corporation	42,227,355 (L)	61,200,000 (L)	6.89%
Lui Wing Patsie ("Ms. Lui") (Note 5)	Interest of controlled corporation	42,227,355 (L)	61,200,000 (L)	6.89%
Cross Cone Holdings Limited ("Cross Cone") (Note 5)	Beneficial owner	42,227,355 (L)	61,200,000 (L)	6.89%
Wang Qin (Note 6)	Interest of controlled corporation	9,860,789 (L)	91,538,575 (L)	6.76%
Newmargin Partners Ltd. ("Newmargin") (Note 6)	Beneficial owner	9,860,789 (L)	91,538,575 (L)	6.76%

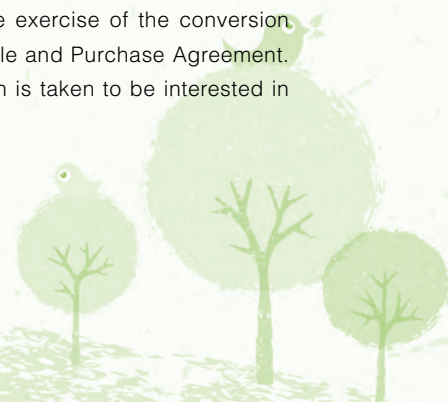
(L) denotes the long position held in the Shares



## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

### Notes:

- (1) As at 30 June 2015, the Company's number of issued Share was 1,499,348,091.
- (2) These Shares comprise (i) 102,552,205 Shares held by CIAM; (ii) 898,751,162 conversion shares to be allotted and issued to CIAM upon the exercise of the conversion rights attaching to the Convertible Bonds issued to CIAM pursuant to the Sale and Purchase Agreement and (iii) 23,595,506 conversion shares to be allotted and issued to CIAM upon the exercise of the conversion rights attaching to the Convertible Bonds issued to CIAM under the CB Placing 2015. CIAM is owned as to 40% by CITIC International Financial Holdings Limited, which is owned as to 70.32% by China CITIC Bank Corporation Limited, which is owned as to 66.95% by CITIC Limited, which is wholly-owned by CITIC Group Corporation. By virtue of the SFO, each of CITIC International Financial Holdings Limited, China CITIC Bank Corporation Limited, CITIC Limited and CITIC Group Corporation is deemed to be interested in the Shares held by CIAM.
- (3) These Shares comprise (i)(a) 22,679,814 consideration shares allotted and issued to Smart Promise; and (b) 12,917,633 consideration shares allotted and issued to Infinite Soar; and (ii)(a) 53,250,000 conversion shares to be allotted and issued to Ample Richness Investments Limited ("**Ample Richness**") upon the exercise of the conversion rights attaching to the convertible bonds issued to Ample Richness; (b) 210,538,725 conversion shares to be allotted and issued to Smart Promise upon the exercise of the conversion rights attaching to the convertible bonds issued to Smart Promise; and (c) 119,915,537 conversion shares to be allotted and issued to Infinite Soar upon the exercise of the conversion rights attaching to the convertible bonds issued to Infinite Soar pursuant to the Sale and Purchase Agreement. As at 30 June 2015, (i) Ample Richness is wholly-owned by Mr. Cheng; (ii) Smart Promise is owned as to 60.88% by Mr. Cheng, 13.04% by Ms. Zhao Xiao Hua, 13.04% by Ms. Li Ying Li and 13.04% by Mr. Liu Zhi Qiang; and (iii) Infinite Soar is wholly-owned by Mr. Cheng. By virtue of the SFO, Mr. Cheng is deemed to be interested in the Shares held by Ample Richness, Smart Promise and Infinite Soar.
- (4) These Shares comprise (i) 293,088,000 Shares held by Sina Winner, which is wholly owned by Chinese Strategic and (ii) 53,412,000 Shares held by other subsidiaries of Chinese Strategic.
- (5) These Shares comprise (i) 10,058,005 consideration shares allotted and issued to Cross Cone; (ii) 61,200,000 conversion shares to be allotted and issued to Cross Cone upon the exercise of the conversion rights attaching to the convertible bonds issued to Cross Cone pursuant to the Sale and Purchase Agreement and (iii) 32,169,350 conversion shares held by Cross Cone upon conversion of the convertible bonds issued under the Sale and Purchase Agreement. Cross Cone is wholly-owned by Excel Arts which in turn is owned as to 99% by Ms. Lui. By virtue of the SFO, each of Excel Arts and Ms. Lui is deemed to be interested in the Shares held by Cross Cone.
- (6) These Shares comprise (i) 9,860,789 consideration shares allotted and issued to Newmargin and (ii) the 91,538,575 conversion shares to be allotted and issued to Newmargin upon the exercise of the conversion rights attaching to the convertible bonds issued to Newmargin pursuant to the Sale and Purchase Agreement. Newmargin is wholly-owned by Mr. Wang Qin. By virtue of the SFO, Mr. Wang Qin is taken to be interested in Shares held by Newmargin.





## SHARE OPTION SCHEME

The Company operates a share option scheme adopted by the shareholders of the Company (the “Shareholders”) on 22 May 2008 (the “Share Option Scheme”) which shall be valid and effective for a period of ten years from the date of adoption, pursuant to which the Board may, at its discretion, grant options to any eligible participants.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity. Eligible participants include any employee (whether full time or part time), any executive Director and any non-executive Director (including independent non-executive Directors), or any of its subsidiaries or invested entity in which any member of the Group holds any equity interest, any shareholder of any member of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity and any other person (such as consultant, adviser, business partner or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Under the Share Option Scheme, where any further grant of options to an eligible participant, if exercised in full, would result in the total number of shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of shares in issue (the “Individual Limit”), such further grant must be separately approved by the Shareholders in general meeting. Save for the foregoing, no eligible participant shall be granted an option if exercised in full, would exceed the Individual Limit. In addition, where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, such further grant of options must be approved by the Shareholders.

A consideration of HK\$1 is payable on acceptance of the grant of an option. An option may be exercised in whole or in part by the grantee within the option period as determined and notified by the Board to the grantee. The Share Option Scheme does not specify a minimum period for which an option must be held before an option can be exercised. However, the provisions of the Share Option Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the date of grant.



## SHARE OPTION SCHEME (continued)

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

The refreshment of the maximum number of Shares which may be allotted and issued upon the exercise of all share options which shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders (the “**Scheme Mandate Limit**”), in which the existing Scheme Mandate Limit was approved by the Shareholders in the annual general meeting of the Company on 26 June 2015 and the outstanding number of options available for issue under the existing Scheme Mandate Limit is 147,368,809. As at the date of this report, none of options has been granted under the existing Scheme Mandate Limit.

Details of the share options movements during the six months ended 30 June 2015 (the “**Period**”) under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Outstanding as at 01.01.2015	Granted during the Period	Number of share options			Outstanding as at 30.06.2015	Validity period of share options	Exercise price
				Exercised during the Period	Lapsed during the Period	Cancelled during the Period			
<b>Director</b>									
Ms. Diana Liu He	22.01.2015	-	4,000,000	-	-	-	4,000,000	22.01.2016 to 21.01.2018	HK\$0.900
	22.01.2015	-	4,000,000	-	-	-	4,000,000	22.01.2017 to 21.01.2019	HK\$1.500
<b>Total</b>		-	8,000,000	-	-	-	-		

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s securities during the six months ended 30 June 2015.

## CORPORATE GOVERNANCE

During the six months ended 30 June 2015, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman (the “**Chairman**”) and chief executive (“**CE**”) should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CE should be clearly established and set out in writing. During the period under review, the Company did not appoint a Chairman or CE. The functions of the Chairman and CE are performed by the Directors. The Board will review the current practice from time to time and make appropriate changes if necessary.

## CORPORATE GOVERNANCE *(continued)*

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. A non-executive Director was unable to attend the annual general meeting of the Company held on 26 June 2015 due to other important business engagement.

## DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information during the six months ended 30 June 2015 on Directors are as follows:

Mr. Lam Kwok Hing, Wilfred was appointed as an executive director, the chairman of the board, the chairman of the investment and management committee and one of the authorized representatives under the Listing Rules, of China New Energy Power Group Limited (stock code: 1041), a company listed on the Main Board of the Stock Exchange, with effect from 16 June 2015 and was re-designated from an executive director to a non-executive director, resigned as a member of the executive committee and ceased to be an authorised representative under the Listing Rules, of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of the Stock Exchange, with effect from 1 July 2015.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors, following a specific enquiry by the Company, have confirmed that they have complied with the required standard as set out in the Model Code throughout the period under review.

## AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2015. The Audit Committee has approved the unaudited interim financial statements.

On behalf of the Board

**The Hong Kong Building and Loan Agency Limited**

**Diana Liu He**

*Executive Director*

Hong Kong, 24 August 2015

